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RUEHIT/AMCONSUL ISTANBUL 1411  
RUEATRS/DEPT OF TREASURY WASHDC  
RUCPDO/DEPT OF COMMERCE WASHDC  
RHEHNSC/NSC WASHDC  
RHMFIUU/CDR USCENCOM MACDILL AFB FL  
RUEAIIA/CIA WASHDC  
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SUBJECT: NEW TURKMENISTAN-KAZAKHSTAN-IRAN RAIL LINE: SIGN  
OF CLOSER REGIONAL RELATIONSHIPS?

11. (U) Sensitive but unclassified. Not for public Internet.

12. (SBU) SUMMARY: President Berdimuhamedov has added yet one more important construction project to his list: a railway line connecting Kazakhstan, Turkmenistan, and Iran into a single north-south railway route. The countries expect that this line will foster greater trade in the region, the transit fees from which Turkmenistan stands to earn substantial profit. The new link offers a route to transport Russian and European goods that bypasses hot spots in the Caucasus. However, this does not mean that it is smooth sailing ahead, with regulations, bureaucracy, and corruption remaining in place as major trade barriers. Iran recognizes Turkmenistan as an important trade partner, and, perhaps aware of greater western interest in Turkmenistan, has offered technical assistance on the construction of this line. END SUMMARY.

COOPERATION THROUGHOUT THE REGION

13. (U) Turkmen President Berdimuhamedov attended a ceremony in the Bereket region of Balkan province on December 1 to kick off construction of the Uzen-Gyzylgaya-Bereket-Etrek-Gorgan railway line, connecting railway networks of Kazakhstan, Turkmenistan, and Iran into a single north-south railway route. The Iranian Deputy Minister of Roads and Transportation and Executive Director of the Organization of Railways Hassan Ziyari and Kazakh Acting Minister of Transportation and Communications Zhenis Kasymbekov also attended the ceremony. Turkmen Minister of Railroad Transportation Deryaguly Muhammetgulyev announced that the Ministry plans to complete construction by December 2011, but President Berdimuhamedov said that Turkmenistan's portion might be finished earlier. Each of the participating countries -- Kazakhstan, Turkmenistan, and Iran -- is financing the construction of the rail line that is located on its own territory. About 700 kilometers -- with stops at 17 stations -- of the 900-kilometer railroad will pass through Turkmenistan. The government of Turkmenistan

reportedly approved the line quickly. Iran made a public offer of technical assistance to Turkmenistan.

EXPECTED TRADE INCREASE, INCLUDING WITH RUSSIA AND EUROPE,  
WITH OTHER BENEFITS FOR THE CASPIAN REGION

¶4. (U) Turkmenistan, Kazakhstan, and Iran expect an increase in trade from these rail links. According to Itar-Tass, three to five million tons of goods will transit this rail line annually, with a gradual increase up to 12 million tons of transited goods anticipated. Russian President Vladimir Putin noted that the line will benefit Russia, since it links to existing Russian rail systems and fits with Moscow's plans to promote bilateral trade with Ashgabat.

¶5. (U) This new route bypasses hot spots in the Caucasus region when transiting goods from Russia, Belarus, Ukraine, Moldova and other European countries to the Persian Gulf or South Asia. Also, this route reduces the travel time for cargo by two days by reducing the distance by 600 kilometers from the current corridor of Beynau-Turkmenabat-Kerakhs. According to a December 24 article in "Neutral Turkmenistan," this North-South line "will play a decisive role in the creation of a new social infrastructure of desert regions" because it will make it possible to export oil and gas, and mineral deposits such as coal, manganese, and phosphorus from the area around the Caspian Sea. In addition, goods needed for construction in the Caspian region will arrive faster, thus "deciding many socio-economic problems of development in the Sea region."

A FOLLOW-ON TO NIYAZOV'S TEJEN-SARAHS-MASHHAD LINE

ASHGABAT 00001393 002 OF 002

¶6. (U) Former President Niyazov also commissioned a rail link from Turkmenistan to Iran in 1996, the Tejen-Saraks-Mashhad line. In the first ten months of 2007, Turkmenistan earned \$36 million from cargo transit on this existing route. According to a source at the Turkmenistan Ministry of Railway Transportation quoted by Gorgan Voice of the Islamic Republic of Iran, at least 2.5 million tons a year transits Turkmenistan on this line.

¶7. (SBU) COMMENT: Even as the Turkmen press is emphasizing socio-economic benefits to the Caspian Sea region, some locals see this rail line as another of President Berdimuhamedov's attempts to make his own mark on the face of Turkmenistan. Just as former President Niyazov turned Ashgabat into the "White City" and built a rail link to Iran, President Berdimuhamedov is now endeavoring to transform Avaza on the Caspian coast into a world-class tourism center and build a rail link from Kazakhstan to Iran. Berdimuhamedov is pushing for an early opening of the rail line. And, the sooner Turkmenistan finishes the line, the sooner it will earn transit fees from it. END COMMENT.  
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